NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 1-0258 FEBRUARY 27, 1976
EDIE APPLE/BRUSSELS

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EC-COMECON

ANNCR:

IN A MEETING MONDAY AND TUESDAY, THE EUROPEAN COMMON MARKET COUNCIL OF MINISTERS WILL CONSIDER A NEW PROPOSAL PUT FORTH BY THE EASTERN EUROPEAN TRADING GROUP, COMECON. FROM BRUSSELS, VOA CORRESPONDENT EDIE APPLE DISCUSSES RELATIONS BETWEEN THE COMMON MARKET AND COMECON AND THE NEW PROPOSAL.

VOICE:

THE PROPOSAL BY COMECON, THE TRADING ORGANIZATION THAT GROUPS SIX EASTERN EUROPEAN COUNTRIES, THE SOVIET UNION, CUBA AND OUTER MONGOLIA, WAS PRESENTED EARLIER THIS MONTH (2/16). EAST GERMANY'S DEPUTY PREMIER GERHARD WEISS, HEAD OF COMECON'S EXECUTIVE COMMISSION, MET IN LUXEMBOURG WITH PREMIER GASTON THORN. MISTER THORN IS CURRENT PRESIDENT OF THE NINE-MEMBER WEST EUROPEAN COMMON MARKET'S COUNCIL OF MINISTERS. MISTER WEISS PRESENTED THE DRAFT OF A TREATY HE SAID WAS DESIGNED TO SERVE AS A FRAMEWORK FOR MULTILATERAL AND BILATERAL RELATIONS BETWEEN MEMBERS OF THE TWO GROUPS.

THE DRAFT TREATY COVERS ELIMINATION OF TRADE DISCRIMINATION, PROVISIONS TO STABILIZE AGRICULTURAL TRADE, CREDIT AND FINANCE AGREEMENTS AND COOPERATION IN A VARIETY OF OTHER ECONOMIC AND COMMERICAL MATTERS SUCH AS STATISTICAL SURVEYS AND FORECASTS. COMECON HOPES NEGOTIATIONS WILL BEGIN IN EITHER BRUSSELS OR MOSCOW AS SOON AS POSSIBLE.

THE COMECON PROPOSAL COMES AFTER A YEAR OF SILENCE BETWEEN THE TWO ORGANIZATIONS. ALL BI-LATERAL TRADE AGREEMENTS BETWEEN MEMBER COUNTRIES OF THE TWO ORGANIZATIONS HAD EXPIRED BY THE END OF NINETEEN SEVENTY-FOUR. THE EUROPEAN COMMUNITY OFFERED ALL COMECON COUNTRIES NEW AGREEMENTS BUT RECEIVED NO REPLIES. A COMMUNITY DELEGATION VISITED MOSCOW ONE YEAR AGO, BUT THAT WAS THE LAST FORMAL CONTACT BETWEEN THE TWO GROUPS UNTIL THE NEW COMECON PROPOSAL.

IN THE MEANTIME, EASTERN EUROPEAN COUNTRIES HAVE A GROWING TRADE DEFICIT WITH WESTERN EUROPE. IN ADDITION, THE COMMUNITY HAS AGREED TO BEGIN NEGOTIATIONS ON A TRADE AGREEMENT WITH CHINA, ALTHOUGH NO DATE HAS BEEN SET FOR THE BEGINNING OF THESE TALKS.

A NUMBER OF ISSUES HAVE COMPLICATED RELATIONS BETWEEN COMECON AND THE EUROPEAN COMMON MARKET. ONE HAS BEEN WHO WILL NEGOTIATE WITH WHOM. THE WESTERN EUROPEANS HAVE BEEN RELUCTANT TO DEAL WITH COMECON, WHICH IS MORE LIMITED IN SCOPE THAN THE COMMON MARKET. THE MARKET NOW HAS FULL RESPONSIBILITY FOR NEGOTIATING ALL TRADE AGREEMENTS ON BEHALF OF ITS MEMBERS. COMECON MEMBERS, IN THE PAST, HAVE NOT BEEN WILLING TO ACCEPT THIS. AT THE SAME TIME, SOME SUBJECTS IN THE TREATY PROPOSED BY COMECON, ARE STILL HANDLED BY THE INDIVIDUAL NINE WESTERN EUROPEAN COUNTRIES.

ANOTHER SET OF PROBLEMS STEMS FROM THE DIFFERENCES BETWEEN STATE TRADING COUNTRIES AND FREE MARKET ECONOMIES. FOR EXAMPLE THE PROPOSED TREATY CALLS FOR THE GRANTING OF MOST-FAVORED-NATION STATUS OR TARIFFS AS LOW AS THOSE

GRANTED ANY TRADING PARTNER. THE WESTERN EUROPEANS SAY THIS HAS LITTLE MEANING IN A SYSTEM WITH NO TARIFFS. AND IN THE PAST THEY HAVE WANTED ASSURANCES THEY WILL OBTAIN SOME BENEFITS.

THESE ISSUES PROBABLY WILL BE DISCUSSED BY THE WESTERN EUROPEAN MINISTERS AT THEIR COMING MEETING AND BY EXPERTS FOR MONTHS OR YEARS TO COME. BUT COMMUNITY SOURCES SAY THE MINISTERS ARE UNLIKELY TO LET THESE PROBLEMS BLOCK THE START OF NEGOTIATIONS, NOW THAT A DIALOGUE HAS BEGUN.

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